



August 4, 2003

Tom Carter, Manager of Post-2004 Operations
Western Area Power Administration
114 Park shore Drive
Folsom, CA 95630



Subject: Comments on Control Area Options

Dear Mr. Carter:

The Santa Clara Valley Water District is a Base Resource Contract signatory, which, as of January 1, 2005, is reliant on Western for its Power Resources. The District, along with other similarly situated districts, is planning for wholesale transmission service through Joint Powers Authority now in the formative stages. Interconnection of the District facilities to the PG&E grid via some control area is a key element of our planning and is of serious concern. To that end, we offer these comments on Western's evaluation of forming a control area.

The California Independent System Operator (CAISO) is mired in unwieldy governance that results in perpetual tariff revisions and redesigns. Each revision results in added costs and complexity that effectively "spend a dollar to save a dime". The result is an expensive mosaic of bandages held together by talented staff. This does not portend for a durable future on which to plan our operations; accordingly, we support Western's investigation of alternative control area operation.

While Western's staff appears to lean toward a new Federal Control Area appears as the current leading contender, other alternatives deserve serious and objective consideration. Neighboring entities such as Sacramento Municipal Utility District and Bonneville Power Authority are already operational. We understand that other public agencies are also considering forming Control Areas. Western should evaluate the option of joining with other public agencies to initiate a metamorphosis of either of these existing control areas as well as reinventing the same.

As a non-direct connect customer of Western, the District is last in line to participate (if at all) in a federal/new control area. This will result in yet another layer bureaucracy that will have a two-fold impact. First, the District will have to deal with two control areas to have its power delivered. Second, the District will pay two so-called "postage stamp" tariffs for duplicative service -- pancaking. While we admonish Western to avoid the morass of tariff complexity established in the CAISO, Western must expeditiously address the issue of pancaked tariffs. Lastly, Western must set out a schedule and metering standards for participation in a federal/new control area.

The District sees the formation of a new control area of public agencies as a positive opportunity that will support the District's efforts to attain wholesale status under Federal Energy Regulatory

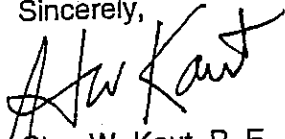


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Commission rules; however, Western should invest the time to instill flexibility and optionality in its planning so that it can objectively select the best alternative to the CAISO.

We appreciate the opportunity to provide these comments, and commend Western and its staff for the forward thinking employed to address these important issues.

Sincerely,



Stan W. Kaut, P. E.
Engineering Manager
Water Utility Engineering Unit

cc : Arvind Tailor, SCVWD
Amandeep Saini, SCVWD
Stuart Robertson, RBI
Project File, WAPA